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## OPEN MEETING

## MEMORANDUM

410

TO: THE COMMISSION

FROM: Utilities Division

DATE: March 1, 2006

RE: CONTINUATION OF CURRENT SOUTHWEST GAS CORPORATION DEMAND  
SIDE MANAGEMENT ADJUSTOR RATE FOR APRIL 2006 (DOCKET NO.  
G-01551A-04-0876)

Arizona Corporation Commission ("Commission") Decision No. 60352 (August 1997) created the Demand Side Management ("DSM") adjustor mechanism, whereby Southwest Gas Corporation ("Southwest") files by the end of January each year with Staff to reset the DSM adjustor rate on April 1<sup>st</sup> of each year. Pursuant to the DSM adjustor mechanism, Southwest filed a request with Staff on January 31, 2006, to reset the DSM adjustor rate. Subsequently, the Commission issued its final decision on Southwest's general rate proceeding (Decision No. 68487, February 23, 2006), which now requires Commission approval of the annual revision to the DSM adjustor rate, increases DSM funding, and applies the DSM adjustor rate to all customer classes. These changes materially impact the DSM adjustor mechanism and require Southwest to make a new filing to adjust the DSM adjustor rate. Southwest has indicated to Staff that a revised filing for Commission approval of a new DSM adjustor rate will be filed shortly. Given the timing of the conclusion of Southwest's rate proceeding, well into the normal DSM adjustor rate review process, and the time required to review Southwest's pending revised DSM adjustor reset filing, it would be difficult to properly review the filing and bring it before the Commission prior to the normal April 1<sup>st</sup> date for the new DSM adjustor rate to be implemented.

Given these circumstances, Staff believes that for this year only, the DSM adjustor rate reset should be delayed one month, such that the new DSM adjustor rate would be implemented May 1<sup>st</sup>, rather than April 1<sup>st</sup>. Under this proposal, for April 2006, Southwest's currently effective DSM adjustor rate of -\$0.00054 per therm for residential customers would be retained. Such an arrangement would provide Staff with the necessary time to evaluate the new DSM adjustor rate Southwest will file to reflect the changes resulting from Southwest's recently concluded general rate proceeding. Staff anticipates bringing the new DSM adjustor rate before the Commission for approval in April 2006. It is Staff's understanding that Southwest does not oppose such an arrangement.

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AZ CORP COMMISSION  
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THE COMMISSION

March 1, 2006

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Staff recommends that for 2006: (a) Southwest apply the current  $-\$0.00054$  per therm DSM adjustor rate in April 2006 for residential customers, and (b) Southwest's DSM adjustor rate be reset in May 2006, rather than the normal April 2006 reset.

A handwritten signature in black ink, appearing to read 'E.G.J.', with a long horizontal stroke extending to the right.

Ernest G. Johnson

Director

Utilities Division

EGJ:RGG:lhmvJG

ORIGINATOR: Robert G. Gray

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

JEFF HATCH-MILLER  
Chairman  
WILLIAM A. MUNDELL  
Commissioner  
MARC SPITZER  
Commissioner  
MIKE GLEASON  
Commissioner  
KRISTIN K. MAYES  
Commissioner

IN THE MATTER OF THE  
CONTINUATION OF CURRENT  
SOUTHWEST GAS CORPORATION  
DEMAND SIDE MANAGEMENT  
ADJUSTOR RATE FOR APRIL 2006

) DOCKET NO. G-01551A-04-0876  
)  
) DECISION NO. \_\_\_\_\_  
)  
) ORDER

Open Meeting  
March 15 and 16, 2006  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation ("Southwest") is engaged in providing natural gas service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission ("Commission").
2. Commission Decision No. 60352 (August 1997) created the Demand Side Management ("DSM") adjustor mechanism, whereby Southwest files by the end of January each year with Staff to reset the DSM adjustor rate on April 1st of each year.
3. Pursuant to the DSM adjustor mechanism, Southwest filed a request with Staff on January 31, 2006, to reset the DSM adjustor rate. Subsequently, the Commission issued its final decision on Southwest's general rate proceeding (Decision No. 68487, February 23, 2006), which now requires Commission approval of the annual revision to the DSM adjustor rate, increases DSM funding, and applies the DSM adjustor rate to all customer classes.

...

4. These changes materially impact the DSM adjustor mechanism and require Southwest to make a new filing to adjust the DSM adjustor rate. Southwest has indicated to Staff that a revised filing for Commission approval of a new DSM adjustor rate will be filed shortly.

5. Given the timing of the conclusion of Southwest's rate proceeding, well into the normal DSM adjustor rate review process, and the time required to review Southwest's pending revised DSM adjustor reset filing, it would be difficult to properly review the filing and bring it before the Commission prior to the normal April 1st date for the new DSM adjustor rate to be implemented.

6. Given these circumstances, Staff believes that for this year only, the DSM adjustor rate reset should be delayed one month, such that the new DSM adjustor rate would be implemented May 1, 2006, rather than April 1, 2006. Under this proposal, for April 2006, Southwest's currently effective DSM adjustor rate of -\$0.00054 per therm for residential customers would be retained.

7. Such an arrangement would provide Staff with the necessary time to evaluate the new DSM adjustor rate Southwest will file to reflect the changes resulting from Southwest's recently concluded general rate proceeding. Staff anticipates bringing the new DSM adjustor rate before the Commission for approval in April 2006. It is Staff's understanding that Southwest does not oppose such an arrangement.

8. Staff has recommended that for 2006: (a) Southwest apply the current  $-\$0.00054$  per therm DSM adjustor rate in April 2006 for residential customers, and (b) Southwest's DSM adjustor rate be reset in May 2006, rather than the normal April 2006 reset.

## CONCLUSIONS OF LAW

1. Southwest is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Southwest and over the subject matter of the matter.

3. The Commission, having reviewed Staff's Memorandum dated March 1, 2006, concludes that it is in the public interest that (a) Southwest apply the current  $-\$0.00054$  per therm

1 DSM adjustor rate in April 2006 for residential customers, and (b) Southwest's DSM adjustor rate  
2 be reset in May 2006, rather than the normal April 2006 reset.

3 ORDER

4 IT IS THEREFORE ORDERED that (a) Southwest apply the current -\$0.00054 per therm  
5 DSM adjustor rate in April 2006 for residential customers, and (b) Southwest's DSM adjustor rate  
6 be reset in May 2006, rather than the normal April 2006 reset.

7 IT IS FURTHER ORDERED that this Order shall become effective immediately.

8  
9 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN

COMMISSIONER

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14 \_\_\_\_\_  
COMMISSIONER

COMMISSIONER

COMMISSIONER

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16 IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive  
17 Director of the Arizona Corporation Commission, have  
18 hereunto, set my hand and caused the official seal of this  
Commission to be affixed at the Capitol, in the City of  
Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

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21 \_\_\_\_\_  
22 BRIAN C. McNEIL  
Executive Director

23  
24 DISSENT: \_\_\_\_\_

25 DISSENT: \_\_\_\_\_

26 EGJ:RGG:lm\VG  
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1 SERVICE LIST FOR: Southwest Gas Corporation  
2 DOCKET NO. G-01551A-04-0876

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5 Southwest Gas Corporation  
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